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THE JOCKEY CLUB LIMITED ANNUAL REPORT FOR THE YEAR ENDED NOVEMBER 30, 1965





THE JOCKEY CLUB LIMITED ANNUAL REPORT



FOR THE YEAR ENDED NOVEMBER 30, 1965



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THE JOCKEY CLUB LIMITED Toronto, Ontario

directors	J. ELGIN ARMSTRONG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Brampton, Ontario
	G. M. BELL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Calgary, Alberta
	C. F. W. BURNS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	King, Ontario
	H. J. CARMICHAEL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	St. Catharines, Ontario
	ALLEN CASE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Todmorden, Ontario
	GEORGE R. GARDINER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
	THE RIGHT HONOURABLE VISCOUNT HARDINGE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Montreal, P.Q.
	*GEORGE C. HENDRIE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
	J.-L. LÉVESQUE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Outremont, P.Q.
	*J. M. MACINTOSH, Q.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
	R. S. McLAUGHLIN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Oshawa, Ontario
	JOHN J. MOONEY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Willowdale, Ontario
	M. D. RICHARDSON	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Aurora, Ontario
	WOLFGANG von RICHTHOFEN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Campbellville, Ontario
	*J. E. FROWDE SEAGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Waterloo, Ontario
	F. A. SHERMAN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Ancaster, Ontario
	*CONN SMYTHE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
	*E. P. TAYLOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Bahama Islands

**Executive Committee*

officers	E. P. TAYLOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Chairman of the Board
	GEORGE C. HENDRIE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	President
	ALLEN CASE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President
	R. S. McLAUGHLIN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President
	J. E. FROWDE SEAGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President
	JOHN J. MOONEY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Managing Director
	ALLAN G. ISBISTER, C.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President—Finance and Treasurer
	JOHN H. KENNEY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Secretary
	ROLAND B. ROBERTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Assistant Treasurer

solicitors LUDWIG, FISHER AND HOLNESS - - - - - Toronto, Ontario

auditors CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

transfer agents NATIONAL TRUST COMPANY, LIMITED - - - - - Toronto, Montreal, Winnipeg and Vancouver
and registrars EMPIRE TRUST COMPANY - - - - - New York

ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Your Directors present herewith the annual report of your Company together with a statement of the affairs and financial position as at November 30, 1965.

**race
meetings**

Thoroughbred racing followed the pattern of previous years. With Garden City available for a full season, the harness racing meeting dates were changed to provide a more balanced schedule on the three track circuit.

The number of racing days at each of your Company's tracks during the past three years was as follows:

	<u>1965</u>	<u>1964</u>	<u>1963</u>
Thoroughbred racing at Woodbine.....	76	76	78
Greenwood.....	52	52	54
Fort Erie.....	68	68	64
	<u>196</u>	<u>196</u>	<u>196</u>
Standardbred racing at Greenwood....	78	102	73
Mohawk.....	60	66	56
Garden City...	85	36	—
	<u>223</u>	<u>204</u>	<u>129</u>
	<u>419</u>	<u>400</u>	<u>325</u>

**financial
results of
operations**

Gross revenues and operating expenses increased by \$1,164,602 (6.1%) and \$1,224,431 (8.5%) respectively. Operating profit decreased by \$167,914 and, after deducting financial expenses and income taxes less the interests of minority shareholders, the net profit for the year decreased by \$175,198.

Increases were obtained in the average amount wagered per day on both thoroughbred and standardbred racing. However, the average daily attendance decreased slightly and this had an unfavourable effect on all revenues.

After taking into account the additional nineteen days of standardbred racing, the increase in operating expenses was mainly attributable to higher purse distributions to both the thoroughbred and standardbred horsemen, increases in salary and wage costs, maintenance of the new facilities at Garden City and higher fixed overhead expenses such as taxes on properties.

A comparative summary of the financial results of operations is set out below :

	1965	1964	1963
Income:			
Commission on mutuel wagering.....	\$15,105,348	\$14,186,897	\$12,265,499
Admissions (not including taxes collected).....	2,879,292	2,823,946	2,499,067
Concessions, programmes and parking.....	2,043,075	1,870,137	1,572,089
Other income.....	328,262	310,395	263,747
Total.....	<u>20,355,977</u>	<u>19,191,375</u>	<u>16,600,402</u>
Operating expenses:			
Purses.....	6,472,820	5,978,320	5,170,525
Salaries and wages.....	3,815,008	3,534,039	2,970,413
Other operating and main- tenance expenses.....	5,298,460	4,849,498	4,127,917
Total.....	<u>15,586,288</u>	<u>14,361,857</u>	<u>12,268,855</u>
Operating profit before depre- ciation.....	4,769,689	4,829,518	4,331,547
Depreciation.....	1,149,418	1,041,333	942,025
Operating profit.....	<u>3,620,271</u>	<u>3,788,185</u>	<u>3,389,522</u>
Interest (including bond and de- benture interest and discount and bank interest) (net) . . .	1,084,100	1,008,972	1,042,630
Profit before income taxes and minority interests.....	2,536,171	2,779,213	2,346,892
Income taxes.....	1,020,000	1,080,000	960,000
Profit before minority interests.	1,516,171	1,699,213	1,386,892
Minority interests.....	4,574	(3,270)	(2,128)
Net profit for the year.....	<u>\$ 1,520,745</u>	<u>\$ 1,695,943</u>	<u>\$ 1,384,764</u>
Taxes on wagering and admis- sions collected for taxation authorities.....	<u>\$10,191,121</u>	<u>\$ 9,589,082</u>	<u>\$ 8,295,953</u>

capital expenditures

During the year in review the major projects referred to in the last annual report were completed. These included the enlargement of the clubhouse wagering and terrace dining areas at Greenwood, the alleviation of congestion in the grandstand at Fort Erie, additional stabling and completion of the enclosing of the grandstand at Mohawk and the acquisition of an emergency mobile power unit. The additional facilities have proved to be beneficial to your Company's operations and have received good public acceptance, particularly at Mohawk Raceway which, at times, was taxed beyond capacity.

With regard to the current fiscal year, an addition to the grandstand and terrace dining room at Mohawk is now in the planning stage and it is anticipated that the construction will take place between the two 1966 racing meetings at that track. The enclosing of the grandstand at Garden City is scheduled to be completed for its spring meeting. At Greenwood an all-weather $\frac{3}{4}$ mile standardbred track has been constructed inside the $\frac{3}{4}$ mile track to eliminate difficulties encountered in past years in conducting

both thoroughbred and standardbred racing on the $\frac{3}{4}$ mile track. At Fort Erie 160 wooden stalls which dated back to the turn of the century have been replaced by two modern metal-clad stables.

equity

Stock purchase warrants which entitled the holders thereof to purchase common shares at \$5 per share expired in October 1965. During the year 547,400 common shares were issued as a result of the exercise of the warrants, adding \$2,737,000 to the equity of the Company.

**future
plans and
prospects**

The 1966 racing dates have been granted by the Ontario Racing Commission and the standardbred racing dates have been approved by the Canadian Trotting Association.

Standardbred racing was planned for 241 nights, having opened at Greenwood on February 26th and closing at Mohawk on December 3rd. When conditions warrant, some of the "nights" are being raced during daylight periods.

The thoroughbred racing season of 196 days, which will follow the 1965 pattern, opened at Fort Erie on April 2nd and will close at Greenwood on November 26th.

There is concern about the attendance decline mentioned earlier. A downward trend in racing's attendance figures is general in Canada and the United States and it indicates increasing competition for the public's leisure time and recreation dollars. Your Company is making a concerted effort to reverse this trend as are many racing associations in North America. We strongly believe that solutions to this common problem will be forthcoming from a continuing exchange of ideas.

The calibre of horses continues to improve and the highest standard of ethics is being maintained by your Company and the supervisory governmental authorities. A sound and progressive capital expenditure programme has provided improved facilities for the comfort and enjoyment of the public and the efficient conduct of your Company's operations. Your Directors are sanguine that patronage will continue to improve in 1966 and that the final financial results will be more favourable than they were in 1965.

**management
changes**

During the year in review Mr. Allan G. Isbister was appointed Vice-President-Finance and Mr. John H. Kenney was appointed Secretary of your Company. In January 1966 Mr. John J. Mooney was appointed Executive Vice-President.

Your Directors wish to express their appreciation of the support received from those gentlemen from the United States who serve as Directors of The Fort Erie Jockey Club Limited.

Your Directors also wish to thank all those who, in their various capacities, contributed to the success of the Company's operation.

On behalf of the Board of Directors,

E. P. TAYLOR,
Chairman.

Toronto, April 12, 1966.

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1964)

assets

	1965	1964
Cash and short term notes	\$ 1,665,146	\$ 491,540
Accounts receivable	121,328	174,509
Prepaid expenses	152,488	181,631
Cash on deposit with trustee in anticipation of future capital expenditures		330,629
Fixed assets—at cost:		
Land and land improvements	4,086,143	4,068,221
Buildings and equipment	40,666,819	38,581,406
Less accumulated depreciation	8,065,860	6,976,042
	<u>32,600,959</u>	<u>31,605,364</u>
	36,687,102	35,673,585
Bond and debenture discount less amounts written off	631,900	709,700
Excess of cost of acquisition of shares in sub- sidiary companies over book value of assets acquired less amounts written off	2,796,042	2,796,042
On behalf of the Board:		
E. P. TAYLOR, <i>Director</i>		
GEORGE C. HENDRIE, <i>Director</i>		
	<u>\$42,054,006</u>	<u>\$40,357,636</u>

(See accompanying notes)

B LIMITED

(In thousands of dollars)

Companies

STATEMENT OF FINANCIAL POSITION, NOVEMBER 30, 1965

(In thousands of dollars for 1964)

liabilities

	1965	1964
Accounts payable and accrued charges	\$ 1,065,141	\$ 1,425,423
Accrued bond and debenture interest	163,100	174,925
Income taxes payable	417,856	610,481
Dividends payable	306,622	265,801
Appropriation for redemption of first preference shares	100,000	109,000
Bonds and debentures payable (note 1) (sinking fund payments due within one year : 1965— \$390,000 ; 1964— \$390,000)	15,964,000	16,794,000
Equity of minority shareholders in subsidiary companies	44,233	48,807
Shareholders' equity :		
Capital (note 2)—		
First preference shares	3,297,600	3,993,830
Second preference shares	3,000,000	3,000,000
Common shares	12,443,488	9,039,173
	<hr/>	<hr/>
	18,741,088	16,033,003
Earned surplus (note 3)	5,251,966	4,896,196
	<hr/>	<hr/>
	23,993,054	20,929,199
	<hr/>	<hr/>
	\$42,054,006	\$40,357,636
	<hr/>	<hr/>

(In thousands of dollars for 1964)

(In thousands of dollars for 1964)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

for the year ended November 30, 1965

(with comparative figures for 1964)

	1965	1964
Profit for the year before the following.....	\$4,703,143	\$4,872,444
Deduct:		
Depreciation.....	1,149,418	1,041,333
Bond and debenture interest and discount. . .	1,017,554	1,051,898
	<u>2,166,972</u>	<u>2,093,231</u>
	2,536,171	2,779,213
Income taxes.....	1,374,000	1,486,000
Less reduction from claiming additional depreciation (note 4)	354,000	406,000
	<u>1,020,000</u>	<u>1,080,000</u>
Net profit before minority shareholders' portion of profit or loss of subsidiary companies.....	1,516,171	1,699,213
Minority shareholders' portion of loss (profit) of subsidiary companies.....	4,574	(3,270)
Net profit for the year.....	<u>\$1,520,745</u>	<u>\$1,695,943</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS

for the year ended November 30, 1965

(with comparative figures for 1964)

	1965	1964
Balance at beginning of year.....	\$4,896,196	\$4,265,864
Add net profit for the year.....	1,520,745	1,695,943
	<u>6,416,941</u>	<u>5,961,807</u>
Deduct:		
Dividends declared during year on—		
First preference shares Series A.....	136,195	162,057
First preference shares Series B.....	64,424	79,363
Second preference shares 1963 Series.....	168,000	168,001
Common shares.....	796,356	656,190
	<u>1,164,975</u>	<u>1,065,611</u>
Balance at end of year.....	<u>\$5,251,966</u>	<u>\$4,896,196</u>

(See accompanying notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF CASH

for the year ended November 30, 1965

Cash provided :

From operations—

Net profit for year	\$1,520,745
Minority interest in losses of subsidiary companies	(4,574)
Depreciation	1,149,418
Amortization of bond and debenture discount	77,800
	<u>2,743,389</u>
Net decrease in accounts receivable and prepaid expenses	82,324
Issue of common shares for cash	2,808,085
Total cash provided	<u>5,633,798</u>

Cash expended :

Purchase of fixed assets (net)	2,162,935
Less withdrawal of funds on deposit with trustee	330,629
	<u>1,832,306</u>
Net decrease in liabilities other than bonds and debentures payable	523,911
Retirement of bonds and debentures payable	830,000
Redemption of preference shares	109,000
Dividends declared	1,164,975
Total cash expended	<u>4,460,192</u>
Increase in cash	<u>\$1,173,606</u>
Cash at end of year	\$1,665,146
Cash at beginning of year	491,540
Increase in cash during year (as above)	<u>\$1,173,606</u>

(See accompanying notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended November 30, 1965

(1) BONDS AND DEBENTURES

	Principal amount issued	Outstanding November 30, 1964	Retired during the year	Outstanding November 30, 1965
First Mortgage Sinking Fund Bonds—				
5¼% Series A, due January 1, 1971	\$ 4,000,000	\$ 2,200,000	\$200,000	\$ 2,000,000
6% Series B, due November 1, 1978	3,000,000	2,280,000	120,000	2,160,000
6% Series C, due November 15, 1980	3,000,000	2,700,000	120,000	2,580,000
5¼% Series D, due May 1, 1982 . . .	3,000,000	2,850,000	75,000	2,775,000
5¼% Series E, due November 15, 1983	3,000,000	2,925,000	75,000	2,850,000
Sinking Fund Debentures—				
5½% due January 1, 1972	6,000,000	3,839,000	240,000	3,599,000
	<u>\$22,000,000</u>	<u>\$16,794,000</u>	<u>\$830,000</u>	<u>\$15,964,000</u>

(2) CAPITAL STOCK

(a) The authorized and issued capital of the company as at November 30, 1965 is as follows (with comparative figures as at November 30, 1964) :

Authorized—

339,760	(1964—410,283) first preference shares with a par value of \$10 each
500,000	(1964—500,000) second preference shares with a par value of \$10 each
6,119,646	(1964—6,000,400) common shares without par value

Issued—

	1965	1964
224,092 (1964—266,470) 6% cumulative redeemable first preference shares, Series A (redeemable at \$10.50 per share)	\$ 2,240,920	\$2,664,700
115,668 (1964—143,813) 5½% cumulative redeemable first preference shares, Series B (redeemable at \$10.50 per share)	1,156,680	1,438,130
	<u>3,397,600</u>	<u>4,102,830</u>
Less redemption appropriation shown as a liability	100,000	109,000
	<u>\$ 3,297,600</u>	<u>\$3,993,830</u>
300,000 (1964—300,000) 5.60% cumulative redeemable second preference shares 1963 Series (redeemable at \$10.50 per share)	\$ 3,000,000	\$3,000,000
5,377,569 (1964—4,687,228) common shares	<u>\$12,443,488</u>	<u>\$9,039,173</u>

(b) The first preference shares Series A and Series B were convertible into common shares on or before January 15, 1965 on the basis of two common shares for one preference share. During the year and prior to the expiry of the conversion privilege 35,478 Series A shares and 24,145 Series B shares were converted resulting in the creation and issue of 119,246 common shares. The company also purchased for cancellation first preference Series A and Series B shares having a par value of \$69,000 and \$40,000 respectively.

Up to and including October 15, 1965, stock purchase warrants were outstanding which entitled the holders thereof to purchase common shares at \$5 per share. During the year and prior to the expiry of the said warrants 547,400 common shares were issued for a cash consideration of \$2,737,000 as a result of the exercise of the said warrants.

During the year 23,695 common shares were issued for a cash consideration of \$71,085 as a result of the exercise of options granted to certain executives and managers of the company which entitle the holders thereof to purchase common shares at \$3 per share. At November 30, 1965 an additional 226,305 unissued common shares were reserved for these options.

(3) DIVIDEND RESTRICTIONS

The provisions attached to the first and second preference shares and the trust deed and indentures supplemental thereto securing the bonds and the trust indenture relating to the debentures all contain provisions restricting the declaration and payment of dividends. At December 1, 1965 the amount of earned surplus available for dividends on the common shares under the most restrictive of these conditions was approximately \$2,300,000.

(4) INCOME TAXES

The reduction of income taxes of \$354,000 results from claiming for tax purposes an amount greater than the depreciation recorded in the accounts. To November 30, 1965 tax reductions from this source aggregated \$3,051,000.

(5) COMMITMENTS AND CONTINGENCIES

The company estimates that its current capital expansion program will cost an additional \$2,300,000. This program includes the construction of a $\frac{3}{4}$ mile standardbred racing track at Greenwood, the extension of grandstand facilities at Mohawk, additional stabling facilities at Fort Erie and the enclosing of the grandstand at Garden City.

The company has guaranteed the demand bank indebtedness of Torlake Corporation Limited. At December 31, 1965 Torlake held an agreement of sale approximately equal to its bank indebtedness of \$238,000 and its other liabilities. The company has also guaranteed demand bank indebtedness of The Canadian Thoroughbred Horse Society to the extent of \$50,000.

Clarkson, Gordon & Co.

Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

Halifax Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Winnipeg Regina Calgary Edmonton Vancouver

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

Auditors' Report

To the Shareholders of
The Jockey Club Limited:

We have examined the consolidated balance sheet of The Jockey Club Limited and its subsidiary companies as at November 30, 1965, and the statements of consolidated profit and loss, earned surplus and source and application of cash for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of the companies as at November 30, 1965, the results of their operations for the year then ended and the factors giving rise to changes in their cash position during the year, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 18, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

THE JOCKEY CLUB LIMITED

subsidiary companies

THE ASCOT TURF CLUB, LIMITED

THE BELLEVILLE DRIVING AND ATHLETIC ASSOCIATION LIMITED

THE CHATHAM DRIVING PARK COMPANY, LIMITED

THE DUFFERIN PARK DRIVING CLUB LIMITED

ESSEX RACING AND ATHLETIC CLUB LIMITED

THE FORT ERIE JOCKEY CLUB LIMITED

GREENWOOD RACING CLUB LIMITED

THE HAMILTON JOCKEY CLUB (LIMITED)

KENILWORTH JOCKEY CLUB, LIMITED

LONG BRANCH JOCKEY CLUB, LIMITED

THE METROPOLITAN RACING ASSOCIATION OF CANADA (LIMITED)

THE NAPANEE DRIVING PARK ASSOCIATION LIMITED

ORPENDALE LIMITED

THE PETERBOROUGH TURF CLUB LIMITED

THE SIMCOE DRIVING PARK ASSOCIATION LIMITED

THE SUDBURY RIDING AND DRIVING PARK ASSOCIATION, LIMITED

THE THORNCLIFFE PARK RACING AND BREEDING ASSOCIATION, LIMITED

THE TORONTO DRIVING CLUB LIMITED

THE WINDSOR RACING AND ATHLETIC CLUB, LIMITED

